

## COMPARING HOUSING POLICIES IN TOKYO AND SEOUL\*

MANJAE KIM

Kangnung National University

*This paper analyses housing policies in Tokyo and Seoul from comparative perspectives. First, unlike production, the state in Japan and Korea has not played an active and effective role in the housing sector. Second, the state in the West has been more concerned about housing than Japanese and Korean states, and the local state in the West has also pursued more independent housing policies than the Tokyo and Seoul Metropolitan Governments. Third, in spite of their similarities at the macro level, Japanese housing policies have been more quality and equality oriented than Korean housing policies.*

### INTRODUCTION

State-centric analysts mainly discuss the expansion of the state's "economic role" (Evans 1986) in Japan and Korea. The Japanese and Korean states selected export-led industries that were compatible with the international market, strongly supported their development, and protected them from foreign competition until they grew strong enough to compete with foreign capital. This image of the efficient state in the two countries, however, does not apply to the housing sector. The state in Japan and Korea has not paid much attention to supporting and intervening in the population's consumption such as housing. The percentage of housing in the total central state's expenditure is very low: 1.8 percent in 1986 in Japan and 2.9 percent in 1987 in Korea. The local state, which takes a major responsibility in housing in some other countries, does not do that in Japan and Korea because it lacks the authority to make its own housing policies. Not only does the state invest less in the housing sector, but existing housing policies are also ineffective considering their outcomes: the middle-class-oriented housing policies have not improved homeownership, and the tax system designed to control real estate speculation has failed to control land and housing prices. Therefore, the state's proper guidance and intervention in production in Japan and Korea, has not been similarly applied to the housing sector.

\*This paper is based in part on the author's doctoral dissertation.

How can we explain this unbalanced role of the state in production and the housing sector in Japan and Korea? One major answer can be found in the limited financial resources of the state in general. To avoid "fiscal crisis" (O'Conner 1973), the state in Japan and Korea puts a priority on production over consumption. The administrative structure is also organized to mainly support industrialization. While the Ministry of International Trade and Industry (MITI) and the Economic Planning Board (EPB)<sup>1</sup> have centralized power in performing economic policies, there is no one ministry that takes complete responsibility for housing. Finally, the local state's lack of autonomy from the central state limits the possibility of making alternate housing policies at the local level.

The Japanese and Korean cases sharply contrast with the situation in Western countries. State support for consumption and housing is more developed in the West than in Japan and Korea. Because the local state in many Western countries is responsible for consumption, even in the situation of the central state's neglect of the housing sector, local governments still can pursue their own housing policies. The state in the West has increasingly focused on demand-side subsidy, supporting tenants by helping them pay rents, while the Japanese and Korean states have developed supply-side subsidies.

Even though the Japanese and Korean states similarly play an ineffective role in housing, they also show variations in terms of the degree of emphasis on quality and equality in housing policies. Japanese housing policies are more quality and equality oriented than their counterparts in Korea. These differences are largely due to two factors: Japan's economic development is higher than Korea's; and compared to Japan where local governments exist at least legally, the Korean state is highly centralized.

This paper, therefore, makes the following arguments. First, unlike its intervention in industrialization, the state in Japan and Korea does not effectively guide the housing sector. Second, compared to Japan and Korea, state support for housing is outstanding, and the local state takes major responsibility for housing in the West. Third, in spite of their similarities, the Japanese state performs more quality and equality oriented policies than the Korean state.

<sup>1</sup>The Economic Planning Board (EPB) and the Ministry of Finance were merged into the Ministry of Finance and Economy (MOFE) in December, 1994.

## HOUSING POLICIES IN JAPAN AND KOREA

### *Housing Policies at the National Level*

The first comprehensive housing policies in both Japan and Korea were established in the 1960s. A five-year housing construction plan was passed in 1966 in Japan and a five-year housing construction plan was instituted in 1962 in Korea. Japanese housing policies have a longer history than their counterparts in Korea. Housing policy in Japan made its first appearance in 1919 through a series of laws<sup>2</sup> (Honma 1983: 398, 546-7). During and right after World War II, Japanese housing policies targeted specific groups, especially laborers who were necessary to the war economy and industrial rehabilitation. With high economic growth in the 1950s and 1960s, a series of housing construction plans were promulgated.<sup>3</sup> However, incorrect predictions led to plan after plan being formulated even before the period of the previous plan was over. Finally in 1966, the Japanese government started a five-year housing construction plan based on the Housing Construction Planning Law, which is considered the first comprehensive plan including both the public and private sectors.

Compared to Japan's long history of housing policy, the Korean government made little intervention in the housing sector until 1962. In spite of a serious housing shortage after Independence in 1945, no significant legal and administrative system was established between 1945 and 1950. This lack of governmental housing policy lasted through the 1950s, with minor exceptions for relief housing construction: for example, a housing program for homeless urban people after the Korean War in 1953, and temporary housing construction from 1954 to 1956 with supporting funds from the United Nations Korean Reconstruction Agency and the United States Agency for International Development (Koh 1983: 39). In 1962, the Korean government launched a systematic housing policy for the first time. Therefore, in Japan and Korea, five-year housing construction plans currently represent their national housing policies. Tables 1 and 2 summarize historical changes of five-year housing construction plans in

<sup>2</sup>The laws include the Law of City Planning and Urban Building (1919), the Law of Leased Land and Houses (1921), the Law of the Housing Association (1921) and the Conciliation Law of Leased Land and Houses (1923).

<sup>3</sup>Examples of housing construction plans in the 1950s and 1960s are a 3-year plan for local public housing, 10-year plans for housing construction (1955-1964), 5-year plans for housing construction (1957-1961), new 5-year plans for housing construction (1961-1965), and 7-year plans for housing construction (1964-1970).

TABLE 1. 5-YEAR HOUSING CONSTRUCTION PLAN IN JAPAN

	The 1st term 1966-70	The 2nd term 1971-75	The 3rd term 1976-80	The 4th term 1981-85	The 5th term 1986-90
<u>The purpose of plan</u>					
	The improve- ment of housing shortage	The improve- ment of housing shortage	The improve- ment of dwelling standard	The improve- ment of dwelling standard	The improve- ment of dwelling standard
	One house per household	One room per person	Minimum & ordinary dwelling standard	Minimum & ordinary dwelling standard	
<u>Housing construction plan</u> (total numbers in 1,000)	6,700	9,576	8,600	7,700	6,700
<u>Housing construction achievement</u> (total numbers in 1,000)	6,739	8,280	7,698	6,104	8,284
	<100.6>	<86.5>	<89.5>	<79.3>	<123.6>

Note: < >: Rates of achievement.

Sources: HUDC (1988: 190-94); Mitsui Real Estate Development Corporation (1992: 68).

TABLE 2. 5-YEAR HOUSING CONSTRUCTION PLAN IN KOREA

The 1st term 1962-66	The 2nd term 1967-71	The 3rd term 1972-76	The 4th term 1977-81	The 5th term 1982-86	The 6th term 1987-91
<u>The purpose of plan</u>					
The increase of housing supply	The increase of housing supply	The increase of housing supply	The increase of housing supply	The increase of housing supply	The increase of housing supply
			The control of housing price	The control of housing price	The control of housing price
<u>Housing construction plan</u> (total numbers in 1,000)	475	833	1,330	1,431	1,730 <sup>1)</sup>
<u>Housing construction achievement</u> (total numbers in 1,000)	325.9	540.3	760.6	1,155.1	2,386.5
	<68.6>	<108.1>	<91.3>	<80.7>	<137.9>

Notes: < >: Rates of achievement.

<sup>1)</sup> refers to the original number in the Sixth Economic and Social Development Plan. As housing problems became more serious, the Korean government established another Five-Year Two-Million Housing Unit Construction Plan in 1988.

Sources: KNHC (1989: 39-41); Ministry of Construction (1987: 72).

these two countries.

The purposes of the Japanese housing construction plans differ from those of the Korean plans; the former has changed its focus from quantity to quality, whereas the latter is still concerned about housing quantity. Japan achieved the goal, "one house per household", in the late 1960s, but Korea still suffers from the problem of housing shortage. Therefore, the total numbers of planned dwelling units have declined in Japan since the second five-year housing construction plan (1971-75), whereas they have increased continuously in Korea.

### *Housing Policies at the Local Level*

In both Tokyo and Seoul, local housing construction plans are required to follow the national five-year housing construction plans. Even though a significant amount of data and information flows from the local level to the national level, the local views do not get much notice, and the central government has the final authority (Jain 1989: 126). Therefore, in general, local housing policy is not very different from the national one. The local state in Tokyo and Seoul, however, has its own area of housing policies concerning low-income households.

Low-income housing construction policies in Tokyo are represented by publicly-managed housing. Based on the Publicly-Managed Law (Koeei Juutakuhoo)<sup>4</sup> of 1951 mandating housing construction for low-income groups at low rent, publicly-managed housing has two types of programs,

**TABLE 3. TYPES OF PUBLICLY-MANAGED HOUSING PROGRAMS IN JAPAN**

Types	Qualified Persons	Area Allowed
Type I	Those who fit certain qualifications set by the Ministry of Construction	More than 19 m <sup>2</sup> but below 80 m <sup>2</sup>
Type II	1. Those whose income is so low that they cannot afford Type I 2. Those low-income groups who have lost their houses in some form of disaster	More than 19 m <sup>2</sup> but below 75 m <sup>2</sup>

Note: Income categories vary according to the source of income and numbers of household members. For example, in case of salaried workers, maximum level of yearly income is as follows (as of 1988):

1 person household; 0-1,951,999 yen (Type I) and 1,952,000-3,015,999 yen (Type II)

2 person household; 0-2,423,999 yen (Type I) and 2,424,000-3,463,999 yen (Type II)

3 person household; 0-2,895,999 yen (Type I) and 2,896,000-3,875,999 yen (Type II)

4 person household; 0-3,349,999 yen (Type I) and 3,350,000-4,287,999 yen (Type II)

5 person household; 0-3,771,999 yen (Type I) and 3,772,000-4,699,999 yen (Type II)

Sources: Jain (1989: 117); TMG (1988b: 46).

Type I and Type II (see Table 3). Type II housing is designed for households with less income than those of Type I housing. Different interpretations of the qualification of tenants by the local state and tenants have created severe conflicts between the two parties. While tenants insist on the right of residence even when their income becomes higher than a maximum limit, the local state wants to reassign those houses to other low-income families.

Unlike in Tokyo, low-income housing has not been systematically developed in Seoul. In 1989, however, the Seoul Metropolitan Government established the public housing corporation, the Seoul Metropolitan Urban Development Corporation, for residents of urban renewal areas and low-income families. In contrast to Tokyo, the demolition of illegal houses in urban redevelopment projects has represented one of the major housing policies in Seoul. Some sources (Ha 1984: 128-59; Seoul Metropolitan Government (b) 1971-86) show that the Seoul Metropolitan Government has depended on four types of urban redevelopment projects: (1) the clearance program of squatter settlements, (2) the legalization and self-help development program, (3) the relocation and site-and-service program, and (4) the high density apartment construction program. Regardless of differences in their methods, all programs are commonly used to solve illegal housing problems in Seoul. The Seoul Metropolitan Government has destroyed illegal houses without making resettlement plans for residents, especially tenants. This lack of genuine concern for the poor in housing policies has brought continuous appeals, demonstrations, and urban riots in Seoul (Toshi Pinmin Yon'guso 1988; Soch'olhyop 1988).

### *Housing Policies of Public Housing Corporations*

The central and local states in Japan and Korea do not build houses by themselves, even when they initiate construction plans. For actual housing construction, they created public housing corporations. Public corporations in the housing sector are largely divided into two types in both Japan and Korea: national housing construction corporations and local housing construction corporations. Housing construction corporations at the national level include the Housing and Urban Development Corporation in Japan and the Korea National Housing Corporation in Korea. Housing construction corporations at the local level are the Tokyo Metropolitan

<sup>4</sup>The Publicly-Managed Housing Law requires the national government's cooperation with local government. Even though local governments have direct responsibility, the central government also helps local governments through a national subsidy program (Jain 1989: 117).

Housing Supply Corporation in Tokyo and the Seoul Metropolitan Urban Development Corporation in Seoul.

The Housing and Urban Development Corporation (formally called the Japan Housing Corporation) and the Korea National Housing Corporation were established when the two countries began comprehensive plans of economic development after World War II, in 1955 and 1962 respectively. According to their prospectuses, the target populations claimed by the two corporations look different: The Housing and Urban Development Corporation (1988) is for middle-income households, while the Korea National Housing Corporation (1983: 6) is for low-income households. In reality, however, the Korea National Housing Corporation also constructs houses largely for the middle income group. Over 80 percent of apartments constructed by the Korea National Housing Corporation between 1982 and 1986 were for sale (the KNHC 1988). Even among the small portion of apartments for rent, rental periods are temporary, and tenants are required to buy apartments within five years.<sup>5</sup> Permanent rental housing was introduced in 1990 for the first time. Therefore, the Korea National Housing Corporation targets the housing class able to afford homeownership, that is, the middle class. Indeed, the percentage of homeownership in Seoul is less than 50 percent of all households.

The Tokyo Metropolitan Housing Supply Corporation and the Seoul Metropolitan Urban Development Corporation were founded for housing construction and management, land development, and urban renewal projects at the local level. Unlike the Tokyo Metropolitan Housing Supply Corporation whose origin can be traced back to 1919 as the Tokyo Housing Association,<sup>6</sup> the Seoul Metropolitan Urban Development Corporation was established very recently in 1989.<sup>7</sup> Although the general purposes of the Tokyo Metropolitan Housing Supply Corporation and the Seoul Metropolitan Urban Development Corporation resemble each other, the target population of the two organizations is different: The Tokyo

<sup>5</sup>Since 1982, the KNHC has extended the rental period to 20 years, while expiring the 1-year rental housing program. However, 20-year rental housing occupies less than 10 percent of total rental housing construction (see Table 12).

<sup>6</sup>The Tokyo Housing Association was restructured in 1950 for the purpose of providing apartments for rent, based on loans from the Housing Loan Corporation, and renamed as the Tokyo Housing Corporation. The Tokyo Housing Corporation was unified with the Tokyo Land Development Corporation in 1966, and then renamed as today's Tokyo Metropolitan Housing Supply Corporation.

<sup>7</sup>The crucial reason for establishing the SMUDC lies in a very rapid increase of housing prices, and continuous housing movements in urban redevelopment areas of Seoul in the late 1980s.

Metropolitan Housing Supply Corporation (1988a) aims for middle-income households, while the Seoul Metropolitan Urban Development Corporation (1989) focuses on low-income households. In this sense, the Seoul Metropolitan Urban Development Corporation can be considered a combination of publicly-managed housing and the Tokyo Metropolitan Housing Supply Corporation.

## THE ROLE OF THE STATE IN HOUSING

Japan and Korea tend to have the highest growth rate of GDP in the entire world. The average annual growth rate of GDP was 10.9 in Japan and 8.6 in Korea between 1960 and 1970, while it was 3.8 in Japan and 7.9 in Korea between 1980 and 1985 (the World Bank 1987). These numbers seem extremely high when they are contrasted with those of several of the groups of nations suggested by the World Bank: the low-income nations, the middle-income oil-importing nations, and the nineteen industrial market economies, as Table 4 shows.

Scholars of development studies suggest that the strong role of the state is one of the major causes of the high growth rates of these two countries. The Ministry of International Trade and Industry (MITI) in Japan and the Economic Planning Board (EPB) in Korea have provided long-term plans for the entire economy to guide priorities of financing, foreign exchange, and technology transfer. While the Japanese and Korean states have stressed industrialization, they have avoided another responsibility, the improvement of welfare. Japan is well known for its weak welfare function compared to other OECD countries. In Korea, the concept of "welfare" did not appear in national policies until the 1980s. Similarly the housing sector has been neglected for the sake of economic growth in the two countries, because it is not directly related to industrialization. The Korean and Japanese states' expenditure on production and consumption (including

**TABLE 4. AVERAGE ANNUAL GROWTH RATES OF GROSS DOMESTIC PRODUCT (GDP)**

	Average annual growth in GDP		
	1960-70	1970-80	1980-85
Low-income Economies	4.4	4.6	7.3
Middle-income Economies	5.9	5.6	1.7
Korea	8.6	9.5	7.9
Industrial Market Economies	5.2	3.2	2.3
Japan	10.9	5.0	3.8

Source: The World Bank (1982; 1987).



housing) stresses the low priority given to consumption in their national and local policies.

### *The Central State*

Tables 5 through 7 show that the central state's expenditure on consumption in Japan and Korea is much lower than their counterparts in the West. According to Table 5, the Japanese state's expenditure on consumption increased from 25.3 percent in 1960 to 32.0 percent in 1980, and then declined slightly to 30.3 percent by 1986. By contrast, the Korean state's expenditure on consumption has continuously increased from 19.9 percent in 1978 to 28.3 percent in 1987. The share of the central government's spending allocated to consumption in Japan and Korea had become similar by the late 1980s. The major category of consumption, however, is different in these two countries: social security occupies around two thirds of consumption spending in Japan, whereas education represents half of the consumption expenditure in Korea. Housing is considered the least important among of three consumption categories in both states.

Japan and Korea spend much less for consumption than their Western counterparts. According to Table 7, state expenditure on consumption in all seventeen Western countries exceeds 40 percent of total expenditures. The lowest one is the US's 44.3 percent (1986), which is 14 to 16 percent higher than Japan's 30.3 percent (1986) and Korea's 28.3 percent (1987). Seven countries including Spain, Austria, Netherlands, Germany, Finland, Sweden, and Switzerland, spend more than 60 percent of their total expenditure on consumption. The low percentage of consumption

**TABLE 5. CENTRAL GOVERNMENT EXPENDITURE IN JAPAN (UNIT: PERCENT)**

	1960	1970	1980	1986
Consumption	25.3	27.4	32.0	30.3
Housing	0.7	1.2	1.8	1.8
Education & culture	12.1	11.5	10.7	9.1
Social security	12.5	14.7	19.5	19.4
National agencies	9.8	6.7	5.0	4.9
Local government finance	19.0	21.7	18.1	18.2
Defense	9.4	7.3	5.2	6.2
Land development	16.9	16.6	13.8	11.0
Industrial development	9.4	12.4	9.2	5.9
Others	10.2	7.9	16.7	23.5
Total	100.0	100.0	100.0	100.0

Source: Management and Coordination Agency (1988: 442).

**TABLE 6. CENTRAL GOVERNMENT EXPENDITURE IN KOREA (UNIT: PERCENT)**

	1978	1980	1985	1987
Consumption	19.9	22.5	27.3	28.3
Housing	0.4	1.2	4.2	2.9
Education	13.7	14.6	16.6	16.7
Social security & health	5.8	6.7	6.5	8.7
General public service	9.5	8.5	9.4	8.9
Defense	32.6	30.6	26.6	25.4
Community development	0.8	1.1	0.4	0.4
Social services	0.8	0.7	1.0	0.9
Economic services	26.2	26.0	21.9	20.0
Others	10.0	10.4	10.2	16.1
Total	100.0	100.0	100.0	100.0

Source: EPB (1987: 506).

**TABLE 7. CENTRAL GOVERNMENT EXPENDITURE, SELECTED ADVANCED CAPITALIST COUNTRIES IN 1986**

	Consumption						
	Total	Housing & Social welfare	Health	Educ.	Defense	Economic Service	Other
Germany, FR	69.0	50.5	17.9	0.6	8.8	6.8	15.4
Spain	67.8	48.5	13.1	6.2	4.4	11.7	16.3
Switzerland	66.8	50.6	13.1	3.1	10.3	12.2	10.8
Austria	64.3	42.6	12.0	9.7	3.1	13.8	18.8
Sweden	61.8	51.8	1.1	8.9	6.6	6.8	24.8
Netherlands	61.7	39.8	10.8	11.1	5.2	10.7	22.5
Finland	60.0	35.7	10.6	13.7	5.2	21.0	13.7
Belgium	56.2	41.5	1.7	13.0	5.3	11.9	26.5
New Zealand	55.6	32.2	12.5	10.9	4.7	12.3	27.4
Ireland	55.0	30.1	13.2	11.7	3.1	15.0	26.9
Norway	54.2	35.0	10.5	8.7	8.3	19.5	17.9
Denmark	50.2	40.0	1.0	9.2	5.2	6.8	37.8
Italy	47.1	30.0	9.9	7.2	3.2	13.2	36.5
Australia	45.6	28.9	9.5	7.2	9.3	7.8	37.3
U.K.	44.9	30.2	12.6	2.1	13.3	8.9	33.0
Canada	44.5	35.0	6.1	3.4	7.6	14.9	33.1
U.S.A.	44.3	31.0	11.6	1.7	25.8	8.8	21.1

Source: The World Bank (1988).

expenditure in Korea can be understood in two ways. First, considering its economic level as a semi-peripheral country, Korea still needs to invest large sums of state expenditure for the construction of basic infrastructure. The Korean government's spending on economic services, around 20 percent in total, is comparable only with the Finnish government's (21.0 percent in 1986). Second, Korea spends almost one fourth of its budget for defense, which is one of the highest in the world. By contrast, in Japan, in spite of a high GNP per capita and low spending for defense (6.2 percent in 1986), the state obviously spends less for consumption compared to its counterparts in the West. Therefore, whether they spend a high percentage of their total expenditure on defense or not, both Japanese and Korean states spend a low percentage of total expenditure on consumption.

### *Local State*

In many Western countries, the local state is responsible for consumption, while the central state concentrates on production. Saunders's (1986) dual politics thesis focuses on the division of labor between the central and local states. The Tokyo and Seoul metropolitan governments, similar to their central governments, however, are not especially concerned with consumption (Tables 8 and 9).

**TABLE 8. LOCAL GOVERNMENT EXPENDITURE IN TOKYO (UNIT: PERCENT)**

	1965	1980	1984
Consumption	27.2	32.2	31.3
Housing	6.8	5.1	4.4
Social welfare	3.3	6.2	5.9
Education & culture	17.1 <sup>3)</sup>	20.9	21.0
General administrative expenditure	5.8	5.3	5.5
Labor & economy administration	6.5	4.0	4.2
City planning & Environ. protection	2.5 <sup>4)</sup>	2.2	1.4
Sanitation & waste disposal	7.1 <sup>5)</sup>	6.2	5.8
Public works <sup>1)</sup>	18.7	8.6	7.6
Police & fire	12.1	15.4	14.0
Others <sup>2)</sup>	20.1	26.1	30.2
Total	100.0	100.0	100.0

Notes: 1) includes ports and harbors.

2) includes debts and miscellaneous.

3) includes only education in 1965.

4) means capital city development in 1965.

5) means public health and public cleaning in 1965.

Sources: Tokyo Metropolitan Government (1972b); Tokyo Statistical Association (1965-85).

TABLE 9. LOCAL GOVERNMENT EXPENDITURE IN SEOUL (UNIT: PERCENT)

	1965	1980	1987
Consumption	12.8	11.5	18.6
Housing	—	0.6	—
Social works	7.1	6.4	—
Health	5.7	4.5	—
Administrative expense	20.3	20.6	23.1
Finance	4.5	3.4	—
Environment protection	—	5.8	—
Industry	1.8	4.6	0.7
Afforestation	—	3.7	—
Construction works	36.2	25.5	28.6 <sup>1)</sup>
City planning	3.3	1.2	—
Public safety	—	0.9	—
Sewage facilities	5.8	3.6	—
Transportation & tourism	0.6	1.1	—
Civil defense	—	2.2	5.8
Fire fighting	1.5	1.8	—
Others	13.2	14.1	23.2 <sup>2)</sup>
Total	100.0	100.0	100.0

Notes: Items of expenditure in Seoul have changed over 22 years. Sub-categories of each item however are not clearly suggested in the census.

1) is categorized as community development in 1987.

2) includes culture and sports expenses.

Source: Seoul Metropolitan Government (a) (1965-88).

In Tokyo, consumption accounts for around 30 percent of total expenditure over 20 years, which is similar to the central state's spending on consumption (30.3 percent in 1986). In Seoul, (even though numbers in Table 7 are not completely comparable because of the changes of items in the state expenditure accounts), consumption always occupies less than 20 percent of the total between 1965 and 1987. This percentage is even lower than the Korean government's spending on consumption. In 1987, while the percentage of consumption was 18.6 in Seoul, it was 28.3 in Korea. The local governments in Tokyo and Seoul thus follow their central governments' policies towards consumption. Consumption, including housing, is emphasized far less in Japan and Korea than in the West at both the national and local levels.

## THE EVALUATION OF HOUSING POLICIES

*Housing Construction Policies*

Housing construction for low-income households is limited in both Japan and Korea. In Japan, the total number of dwelling units of publicly-managed housing did not change greatly from 223,600 in 1951-55 to 209,714 in 1986-90. In Korea, no systematic housing program for low-income families had been developed until 1990 at the national level. The only public sector for low-income housing at the municipal level, the Seoul Metropolitan Urban Development Corporation, was established in 1989. According to its 1989 pamphlet, the Seoul Metropolitan Urban Development Corporation's major plan was to construct 80,000 houses by 1992 in the Seoul Metropolitan area. Because these housing construction plans were largely designed to serve those residents whose homes were demolished in urban redevelopment projects, most low-income families did not have the opportunity to apply for the Seoul Metropolitan Urban Development Corporation housing.

The low percentage of low-income housing in the total of public housing construction implies that Japanese and Korean housing construction policies focus on middle-income households. The Japanese government has promoted housing construction for middle-income families by providing loans through the Japan Housing Loan Corporation,<sup>8</sup> instead of building houses directly. Therefore, the total number of dwelling units financed by the Japan Housing Loan Corporation increased greatly from 457,800 in 1956-60 to 2,085,261 in 1986-90 (Mitsui Real Estate Development Corporation, 1992: 81), whereas those constructed by the Housing and Urban Development Corporation (HUDC) declined continuously once they reached a peak in 1966-70 (Table 10). Similarly, the Korean government has implemented housing construction policies for middle-income families by providing loans through the Korea Housing Bank (KHB)<sup>9</sup> as well as by

<sup>8</sup>The Japan Housing Loan Corporation (JHLC) was founded in 1950 with the purpose of furthering private housing construction by financing long-term, low-interest housing loans because private banks and other financial agencies provided their funds largely to stimulate industrialization after the war. According to the surveys on housing loan borrowers, housing loans from the JHLC were found to serve the middle-income households: 74 percent of the JHLC loan borrowers belonged to the 60th percentile of middle income groups excluding the lowest and the highest 20th percentile in 1987 (JHLC 1988: 141).

<sup>9</sup>The Korea Housing Bank (KHB) was established in 1967 to mobilize housing funds and to stimulate the private sector's participation in housing construction activities. Like the HLC, the KHB was also turned out to serve the middle class: the average income of the KHB

TABLE 10. HOUSING CONSTRUCTION BY HUDC

	Japan				Tokyo Area <sup>1)</sup>			
	Number of units	For sale (%)	For sale to rent <sup>2)</sup> (%)	For rent (%)	Number of units	For sale (%)	For sale to rent <sup>2)</sup> (%)	For rent (%)
1955-60	170,587 (100.0)	3.9	34.2	61.9	55,190 (32.4)	6.6	28.0	65.4
1961-65	189,196 (100.0)	4.3	29.1	66.6	61,943 (32.7)	6.9	19.2	73.9
1966-70	335,037 (100.0)	15.9	21.2	62.9	121,988 (36.4)	20.1	13.0	66.9
1971-75	260,344 (100.0)	20.3	14.4	65.3	73,817 (28.4)	23.5	11.0	65.5
1976-80	162,700 (100.0)	47.2	32.2	20.6	54,677 (33.6)	54.8	28.4	16.8
1981-85	105,172 (100.0)	32.9	38.6	28.5	39,401 (37.5)	34.7	37.0	28.3
1986-90	86,612							

Notes: 1) Tokyo area includes Tokyo, Saitama, Chiba, and Kanagawa.

2) For sale to rent means that houses are constructed for landlords to rent.

Source: HUDC (1988).

TABLE 11. HOUSING CONSTRUCTION BY THE TOKYO METROPOLITAN HOUSING SUPPLY CORPORATION

	Total	For Sale	For Rent	Others
1950-55	6,059 (100.0)	491 (8.1)	5,384 (88.9)	184 (3.0)
1956-60	8,571 (100.0)	652 (7.6)	7,194 (83.9)	725 (8.5)
1961-65	12,903 (100.0)	2,171 (16.8)	10,039 (77.8)	693 (5.4)
1966-70	28,803 (100.0)	9,394 (32.6)	19,103 (66.3)	306 (1.1)
1971-75	13,470 (100.0)	4,351 (32.3)	8,783 (65.2)	336 (2.5)
1976-80	9,503 (100.0)	2,835 (29.8)	6,553 (69.0)	115 (1.2)
1981-85	6,423 (100.0)	2,740 (42.7)	2,747 (42.8)	936 (14.6)

Source: TMHSC (1988b).

housing loan borrowers was 600,000 won per month (526,000 won per month in case of the National Housing Fund ), far exceeding 481,018 won of the average urban laborers' monthly income in the same year (EPB 1986).

directly building houses through the Korea National Housing Corporation (KNHC). The total number of houses financed by the KHB increased from 61,744 in 1967-71 to 795,189 in 1983-87 (KNHC 1989: 80). Unlike Japan, the total number of housing units directly constructed by the KNHC also rose from 5,159 in 1962-66 to 186,678 in 1982-86 (Table 12).

This concern with middle-income housing construction is mainly due to the Japanese and Korean governments' emphasis on homeownership. Unlike European countries, whose policies switched from public rental to homeownership in the 1970s (Harloe 1985), the Japanese and Korean governments' have emphasized homeownership as a major goal from the beginning of housing policies (TMG 1972a; Oomoto 1990; KRIHS 1979, 1987). In Japan, the state's stress on homeownership has become even stronger than before. According to Tables 10 and 11, the main focus of publicly-supplied houses by the HUDC and the TMHC has moved from rental to ownership over the past 30 years. In Korea, publicly-supplied houses have always been for sale until 1990: 80 percent of houses constructed by the KNHC were for sale between 1982 and 1986, and the

TABLE 12. HOUSING CONSTRUCTION BY THE KOREA NATIONAL HOUSING CORPORATION

	1962-66	1967-71	1972-76	1977-81	1982-86
<b>Korea</b>					
Total	5,159 (100.0)	7,739 (100.0)	54,420 (100.0)	154,031 (100.0)	186,678 (100.0)
For sale	5,159 (100.0)	6,669 (86.2)	35,770 (65.7)	106,314 (69.0)	151,384 (81.1)
For rent	-	1,070 (13.8)	18,650 (34.3)	47,717 (31.0)	35,294 (18.9)
1 year	-	300	18,015	46,632	-
5 years	-	-	-	-	26,872
20 years	-	-	-	-	5,000
Others	-	770	635	1,085	3,422
<b>Seoul</b>					
Total	4,170 (80.8)	5,423 (70.2)	33,062 (60.7)	31,518 (20.5)	43,809 (23.5)
For sale	4,170	5,123	25,417	28,908	40,039
For rent	-	-	-	-	-
1 year	-	300	7,645	2,610	-
5 years	-	-	-	-	3,770
20 years	-	-	-	-	-

Sources: KNHC (1987; 1988; 1989).

other 20 percent of houses for rent were also planned for sale after a certain period of time (Table 12).

Why does the state in Japan and Korea pay special concern to middle-income families, even though the private housing market can supply homes for them? People in Japan and Korea are strongly attached to homeownership. Therefore, the state cannot ignore this strong desire to own homes in policy making to gain political support. More practically speaking, however, the state can avoid budgetary commitments to public housing. Whereas social housing for low-income families financially depends on the state, middle-income housing programs charge whole costs to consumers. By pursuing middle-income-oriented housing policies, therefore, the Japanese and Korean states do not need to spend large sums on housing, while still catering to the majority's desire.

In spite of the increase in the total number of houses constructed for middle-income families, and the government's stress on middle-income housing in Japan and Korea, the rate of homeownership is not increased; the percentages of homeownership in Japan have remained at just over 40 percent between 1968 and 1983, those in Korea have even declined from 48.1 percent in 1970 to 40.8 percent in 1985. Major causes of failing to increase the percentage of homeownership are rapid increases of housing prices and underdevelopment of a housing loan system. In both Japan and Korea, conflicts between expectations and actual conditions in homeownership are serious: as personal income increases and government stresses homeownership as a major housing policy, housing consumers, largely middle-income families, expect to own their homes. However, in reality, unaffordable housing prices and the lack of housing loan services discourage them from becoming homeowners. Therefore, housing policies for middle-income families in Japan and Korea also fail to satisfy their target population's major concern of being homeowners.

#### *Tax and Land Policies to Control Housing Prices in Japan and Korea*

One of major housing problems in Japan and Korea is the rapid increase of housing prices, partly due to speculation. There are great differences in attitudes in responding to an outcry against "speculation". For example, among Western countries, "unearned increment" has not aroused any particular concern in the USA, whereas in Britain, Labour Governments have been obsessed with creaming-off "unearned increment" to the exclusion of all other considerations. Between the two extremes, the Japanese and Korean governments resemble more the latter than the former.



However, there are basic differences between Japan and Korea in interpreting the problem of unaffordable housing prices. Japanese government officials and scholars insist that high land prices are the major cause of high housing prices (Jain 1987). By contrast, the Koreans see the cause of the rapid increase of housing prices as largely due to housing speculation, especially since the 1970s (KRIHS 1981). Therefore, the major tax system invented for the prevention of speculation applies to land in Japan, whereas it is for housing in Korea.

Both countries similarly levy taxes on income from real estate transactions: land transactions in Japan and housing transactions in Korea. In Japan, the combined central and local government tax rates for recently acquired land property (five years or less) are 52 percent to 86 percent of the income from real estate transactions, whereas their counterparts for lands purchased longer than five years ago are around 26 percent to 38 percent in the case of individuals (Ikegami 1988: 65). For corporations, the tax on land owned less than two years is at the high rate of 96 percent for corporations having profits and 35 percent for corporations having losses (TMG 1987: 238). But the system also includes preferential measures, which are helping to fuel the land price boom (Mitsuharu 1987). People buying a new home at least as expensive as the old one within one year of selling the old one have their tax reduced to zero. The same concession applies when an individual sells a business asset, such as a restaurant, shop, or office, as long as the property is located in a part of Tokyo or Osaka which is designated as a highly developed district or an atmospheric pollution zone, and the proceeds of the sale are used to purchase land or buildings outside of these areas.

Because of this concession, almost everyone who sells property in central Tokyo at high prices immediately reinvests the proceeds back into real estate elsewhere. Since even small plots sell for vast sums, the amount of money being reinvested in real estate is enormous. The preferred sites for the new homes are in the residential areas in the western half of Tokyo. This is why, when central Tokyo sales gained new momentum in 1986, western Tokyo land prices took off. For example, when land prices of residential areas increased by 9.6 percent in the central 23 ku of Tokyo between July and October in 1987, they increased by 31.6 percent in the Western Tama during the same time period (TMG 1987: 149).

Similarly, in Korea, taxes are levied on profits gained by housing transactions. The tax rate is 50 percent of profits for houses owned less than two years, 30 percent-40 percent for houses owned longer than two years, and 75 percent for those whose purchases are not registered. If houses are

sold after one year of residence by households owning only one house, or if they are owned longer than three years regardless of residence, taxes are exempt.<sup>10</sup> Similar to Japan, the transaction tax which aims to prevent housing speculation, has not been successful. When housing prices increase very rapidly, a 50 percent tax rate and one year of residence requirement are not effective devices to control speculation. Even though capital gains from land increased from 10,923 billion won in 1985 to 12,341 billion won in 1986, the total amount of transaction tax levied from individuals and corporations declined from 4,032 billion won to 2,824 billion won over the same period (T'oji Kong'gaenyom Yon'guhwe 1989: 190; 239).

## THE CAUSES OF THE INEFFECTIVE ROLE OF THE STATE IN HOUSING

How can we explain the state's different emphasis of and financial spending on production and consumption (including the housing sector) in Japan and Korea? Answers are sought by analyzing a capitalist state's dual roles, administrative structure, and the autonomy of the local state from the central state.

### *The State's Dual Roles*

O'Connor and Castells provide theoretical explanation as to why the Japanese and Korean states cannot stress production and consumption at the same time. According to O'Connor (1973), a capitalist state must try to fulfill two basic functions: accumulation and legitimization. The state must help one class accumulate capital even at the expense of other classes, at the same time, the state should not undermine the basis of its loyalty and support for social harmony (O'Connor 1973: 6). Based on these dual functions of the capitalist state, state expenditures too are organized into two parts: social capital for profitable private accumulation and social expenses for the state's legitimization function. Social capital is again divided into two: social investment to increase the productivity of labor and social consumption to lower the reproduction costs of labor power. By escalating demands on all three areas of the state budget, the state eventually faces a fiscal crisis.

Castells (1978) also mentions the similar fiscal problem of a capitalist state. In his view, the state intervenes to promote collective consumption as well as production. However, "state intervention in the maintenance of

<sup>10</sup>The minimum requirement of residence has recently increased from one to three years and that of ownership from three to five years.

essential but unprofitable public services has effectively been carried out at the cost of an inflationary and growing public debt" (Castells 1978: 175). Faced with this problem, the state reacts by cutting its level of expenditure and redirecting resources from the support of labor-power (collective consumption) to the direct support of capital (production). The result is a crisis in the provision of collective consumption.

According to both O'Connor and Castells, the state's efforts to fulfill all activities create financial problems, thus implying that the state's different roles always conflict with each other. The relation between production and consumption, however, does not need to be contradictory. Consumption rises as production develops, as a result of increased output on the one hand and as a result of increased personal income on the other hand. At the same time, production of goods and services is stimulated as consumption needs are increased. In spite of their interrelated and complementary relations, production and consumption cannot avoid competing with each other because state resources are limited.

Similarly, arguments about the state's major functions, its limited resources, and its fiscal crisis, apply to the Japanese and Korean contexts. For the Japanese and Korean states, too, resources and expenditures are limited. As late-comers in the world economy, they chose to place priority on industrial investment over consumption instead of stressing both. This basic policy has not changed much since it was formed.

### *Administrative Structure*

The state's low spending on housing is partly related to the administrative structure in Japan and Korea. In both countries, the Ministry of Construction controls the overall housing policy. Because the Ministry of Construction (MOC) in Japan and Korea was established largely to perform construction policies, housing is considered as a part of the activities of the MOC. Moreover, the MOCs in these countries do not have independent decision-making power, because other ministries also are involved in housing policy. The Ministry of Finance (MOF) has a direct impact on housing policies through its allocation of funds from the general account to other ministries. The Ministry of Home Affairs (MOHA) guides and controls the functions of local governments for local housing policy. Therefore, the MOCs' housing policies in Japan and Korea are directly influenced by the interests of other ministries.

More importantly, housing policies in these two countries are similarly subordinate to economic policies. In Japan, housing policies must take into

account other comprehensive policies such as five-year economic plans and national land policies (Hoshino 1973: 164-5; TMG 1988a; Ha 1987). In Korea, too, the housing policy and construction program of the MOC must be coordinated with comprehensive social and economic plans of the Economic Planning Board (EPB). Therefore, in Japan and Korea, the bureaucracy of the central state is organized to fully support economic development, while others are considered as secondary. Because no one centralized ministry has responsibility for housing, housing is not strongly represented in state expenditures.

### *The Local State's Autonomy from the Central State*

Even though the central state does not place a priority on the housing sector in national policies, the local state can still make its own housing policies. Because of the lack of autonomy of the local state from the central state in Japan and Korea, however, local governments generally follow housing policies set by central governments. The legal system of appointing governors/mayors and the degree of fiscal independence of the local state from the central state demonstrate the limited autonomy of the local state from the central state.

#### 1. Appointment of Top Personnel

Tokyo and Seoul have different legal processes for selecting top personnel: the governor of the Tokyo Metropolitan Government is elected by the citizens of Tokyo, whereas the mayor of the Seoul Metropolitan Government is appointed by the Minister of Home Affairs.<sup>11</sup> In spite of the different selection procedure between the two cities, the local state has limited autonomy from the central state in both cities. In Seoul, the central state controls the appointment of the mayor. Therefore, the appointment system itself indicates the limited autonomy of the local state from the central state in Seoul. By contrast, in Tokyo, the governor has legal authority. However, he does not have much scope to exercise his rights in actual decision-making.

The best example of the limitation of the governor's power is the case of Governor Minobe Ryokichi (1967-79), a progressive governor who was supported by the Japan Socialist Party and Japan Communist Party for the first time in history. Minobe achieved enormous popularity, largely as a result of his flair for publicity, his humanitarian image, and his anti-central

<sup>11</sup>The local political system has changed very recently in Korea. In 1995, the mayor of Seoul was elected by citizens for the first time in Korean history.

government and anti-business stands on environmental quality-of-life issues (Rix 1975; Jain 1987). He often emphasized the need to construct a large number of public housing units in Tokyo. However, this remained essentially political rhetoric, and was not translated into action. The main reason was his inability to raise revenue at the local level, through either taxation or borrowing, because of tight central control (Jain 1987; 1989).

To understand this weak authority of the governor, it is necessary to review historical changes of the local government system in Japan. Japan's local government system under the Meiji Constitution (1889-1946) was heavily centralized. After World War II, the United States attempted to decentralize Japanese government during the Occupation based on the idea that local autonomy would serve as a check on tyranny, and thus prevent a recurrence of Japanese militarism (Reed 1986: 44). Some major changes under the U.S. occupation included direct elections of prefectural governors, the abolition of the Home Ministry, and the allocation of new authority to local government concerning police and compulsory education. But, Japanese local governments still operated under the previous tradition of centralization (Reed 1986: 25):

In Japan the central ministries have broad authority to interpret the law in the absence of court decision, and they guard their authority jealously. Each time a local government has attempted to enact an innovative policy, the concerned ministry has argued that the ordinance conflicts with the law and is therefore illegal.

There is no doubt that Japanese local governments have more independent power from the central government than their counterparts in Korea. Because the practice of powers by the Japanese local government is very limited, in reality, the gap between Tokyo and Seoul in terms of the relative autonomy of local state from the central state is not so great as presented in law.

## 2. Fiscal Independence

To perform independent policies, the local state needs to have an independent source of local income. In principle, local taxes are supposed to be levied, collected, and spent by local government. In practice, however, they are subject to central laws and guidance in Japan and Korea: the local government does not have much latitude in raising taxes, because the Ministry of Home Affairs in both countries sets standard rates and minimum rates of each local tax (Jain 1989: 150-5; Ha 1984). Therefore local governments in Japan and Korea are unable to perform massive housing projects independently, because they cannot increase their tax base or

change the items and percentages of local taxes.

In sum, in Tokyo, in spite of the legal authority of a governor, the Tokyo metropolitan government is strongly controlled by the central state in making policies and raising financial resources. In Seoul, the power of mayor is even more restricted than in Tokyo because of the appointment system and the lack of authority to utilize finances independently. Therefore, the scope for the local state to perform its own housing policies is very limited in both cities.

## COMPARATIVE PERSPECTIVE

### *Comparative Analysis Between East Asia and the West*

Comparative analysis between East Asia and the West shows that state activities in Japan and Korea are very different from those in the West. First, the state's role in consumption, such as housing, is more developed in the West than Japan and Korea. The state in the former spends a greater percentage of state expenditures on consumption and housing than its counterparts in the latter (Tables 5-7). Considering housing policies and their changes in the West and East Asia, there seem to be at least two factors which affect the state's emphasis on social housing. The first factor is the development of a private housing market. In Europe, when private capital and housing markets were in no position to supply sufficient accommodation and make up for acute housing shortages after World War II, the provision of social housing reached its peak (Harloe 1988). By contrast, in the United States, where the economy and the private housing market recovered very rapidly after the war, the economic need for social housing was very limited. In Europe, too, as the private housing market has developed strikingly over the post-war period, the priority on social construction has declined.

The underdevelopment of the private housing market may provide some grounds to induce the state's intervention in housing. However, it does not seem to be the sufficient cause of the expansion of social housing. The destruction of the private housing market and severe housing shortages after the war (World War II in Japan and the Korean War in Korea) were also found in Japan and Korea. Therefore, it is necessary to look at another factor, the influence of social democratic parties and the labor movements, to explain the Japanese and Korean governments' restriction on social housing, in spite of the similar background to Europe after the war.

The stress on social housing policies was strongly influenced by social democratic parties in Europe, especially in the Netherlands and Denmark

(Harloe 1988: 50). In Britain, in the late 1960s and early 1970s when Labour governments were elected, there had been an increase in social housing, too. For social democratic parties, housing has been seen as a key means to achieve redistribution through policies associated with the welfare state in the post-war years. By contrast, in Japan and Korea, the power of laborers has been limited. The Liberal Democratic Party in Japan and the authoritarian military regime in Korea have continuously retained political powers. Laborers are either cooperative or controlled by the state in these two countries. In these political and social contexts, the ideology of social housing has not emerged.

Second, the local state is directly linked with housing provisions in most Western countries, whereas it lacks authority to perform its own policies in Japan and Korea. In the West, the local state is involved in housing provision (Harloe 1988; Wynn 1984): local authorities in Britain are themselves the landlords; public housing authorities in the United States are created by local government; and corporations of social housing are subject to local government controls in the Netherlands and Denmark. To protect its own interest, the local state sometimes creates conflict and resistance with the central state in some Western countries. By contrast, in Japan and Korea, the authority of local governments is very much limited by the central government.

Third, East Asia and the West also differ in terms of emphasizing the supply-side subsidy and the demand-side subsidy. The Western housing subsidy system has shifted away from supply-side subsidy to demand-side subsidy from the 1960s onwards (Harloe 1985: 201). By contrast, the Japanese and Korean counterpart heavily depends on supply-side subsidy. Examples of demand-side subsidies in the West are *Aide Personnalisée au Logement* (APL) in France, housing allowances for low income families in Denmark and West Germany, rent allowance in Britain, and the section 8 program<sup>12</sup> in the United States. Most of them have experienced rapid growth especially in the 1970s, whereas construction subsidies to stimulate the production of private rental housing in these countries have declined due to the increase of homeownership. In contrast to the West, Japan and Korea do not have any development of the demand-side subsidy.

The supply-side subsidy supports new construction and low rents, thus tied to housing units. Once families in public housing move out, they cannot enjoy governmental subsidies. By contrast, the demand-side subsidy pays a part of the rent to the family, thus connecting directly with housing

<sup>12</sup>Unlike other housing allowance programs, the section 8 program combines elements of demand and supply assistance.

consumers (Weicher 1980; Harloe 1985). According to Mayo and Barnbrock's (1985: 132-54) comparative analysis between demand and supply oriented rental housing programs in the United States and West Germany,<sup>13</sup> despite the overall similarity of program benefits, the former is superior to the latter in terms of program costs (Mayo and Barnbrock 1985: 152):

In the midseventies, the annual cost of providing a new unit through a U.S. producer-oriented program was estimated roughly 50 to 100 percent greater than that of providing a unit through a consumer-oriented program. In West Germany, new units provided by Social Housing (*supply-oriented*) were estimated to cost roughly three times as much on an annual basis as units supported by Wohngeld (*demand-oriented*). (Italic letters are added by an author).

Therefore, the Western subsidy system is more efficient than its counterpart in Japan and Korea at least in terms of cost saving.

#### *Comparative Analysis between Tokyo and Seoul*

Despite striking similarities between Tokyo and Seoul in terms of state activity in the housing sector compared to their Western counterparts, these two cities differ in stressing quality and equality in housing policies. First, Japanese housing policies are more quality-oriented than their counterparts in Korea. This difference can be compared by analyzing each country's five-year housing construction plans. According to Table 1, the focus of Japanese housing policies has gradually changed from the quantity of housing to the quality of housing. In a series of Japanese housing plans in the 1950s and the 1960s, emphasis was given to the quantity of housing to achieve the goal of "one house per household". In the early 1970s, the Japanese government stressed the density of housing for the first time. Since the third five-year housing construction plan (1976-80), however, the emphasis on the quantity of housing has completely disappeared from Japanese housing policy. By contrast, the Korean government has always struggled with insufficient quantity of housing (Table 2). Throughout six housing construction plans spanning 1962 to 1991, the increase in housing supply has always been the first concern in housing policies. This difference between the two countries reflects the greater housing shortage in Korea.

<sup>13</sup>Eight different housing programs are compared: three U.S. supply (producer)-oriented programs — Public Housing, Section 236, and Section 8 New Construction; three U.S. demand (consumer)-oriented programs — Section 23, Housing Allowances, and Section 8 Existing Housing; one West German supply-oriented program — Social Housing; and one West German demand-oriented program — Wohngeld housing allowances.



The second difference between Japan and Korea is the degree of emphasis on equality in housing policies. In Japan, even though the function of public housing for low-income households is not strong, at least it does exist, while permanent public rental housing for the poor is not developed at all in Korea. Therefore, it is fair to say that the Japanese government is more concerned with equality in the housing sector than the Korean government. The two countries' difference in terms of the emphasis on equality in the housing sector is also related to the fact that the Japanese government was concerned with social welfare much earlier than the Korean government. In Japan, the concept of "improvement of social welfare" first appeared in 1973 as a part of the Basic Economic Social Plan (Kosai and Ogino 1984; Kosai 1987), while it was in the Sixth Five-Year Social and Economic Plans (1987-1991) that the Korean government included social welfare for the first time in national policies (the KNHC 1989).

At least two reasons explain the differences between Japan and Korea: the two countries' different levels of economic development, and different levels of the local state's legal authority. The first cause is obvious. With more resources than Korea, Japan could solve its housing shortage problem in the early 1970s. Therefore, it could move into the next step of housing policy emphasizing quality, while Korea still had severe problems of housing quantity. The second cause is that in Japan, in spite of the strong central state's intervention in actual policy making, the local state is at least a legal entity. The Tokyo Metropolitan Government has its own publicly managed housing program for low-income households, while the Seoul Metropolitan Government does not have any housing policy to improve equality. This different state system in Japan and Korea is partly related to different U.S. interests and policies after World War II. Before 1945, both countries had strongly centralized state structures. During the Occupation in Japan, the United States was interested in endowing strong power to local states in order to prevent future militarism in Japan (Reed 1986). However, the Korean situation was different from the Japanese one. Because of competition with the Soviet Union, the United States was more interested in establishing a strong right-wing government in Korea (Jun 1991) than in developing local power.

## CONCLUSION

Unlike production, the state in Japan and Korea has not played an active and effective role in consumption including housing. The Japanese and Korean states have allocated lower percentages of budget to consumption

than their counterparts in the West. Housing policies in Japan and Korea have emphasized the increase of homeownership largely for middle-income households, ignoring housing construction for low-income households. However, the percentage of homeownership has not actually increased over the past two decades. Tax and land policies have not effectively solved the most severe housing problem in Japan and Korea, the rapid increase of land and housing prices.

Three characteristics of the internal structure of the state explain why the Japanese and Korean states have played an ineffective role in the housing sector. First, economic development has always been a primary national goal in Japan and Korea. Thanks to weakly organized labor, the state in Japan and Korea has not confronted the pressure to allocate its resources to consumption in order to get the support from laborers. Second, in terms of the administrative structure, there is no single ministry which is fully responsible for housing policies. Even though the Ministry of Construction is in charge of housing policies, it is required to cooperate with other Ministries and to consider other policies, especially the national economic policies. Thus, the Ministry of Construction lacks the authority to make its own housing policies. Third, whereas the local state in the West has relative autonomy from the central state in formulating and implementing housing policies, the local state in Japan and Korea lacks such autonomy. Therefore, the Japanese and Korean local states have passively followed the national housing policies.

Even though the Japanese and Korean states are similar at the macro level when they are compared to other Western states, they are different at the micro level. The Japanese state is more quality and equality oriented than the Korean state. These differences are resultant from the three different factors between the two countries. First, because of its strong economic power, the Japanese state has been able to spend more financial resources in consumption, which has definitely contributed to solving housing shortage problems in Tokyo after the Second World War. Second, in terms of the internal structure of the state, the Japanese local state has more authority than the Korean local state. In 1991, Korea also took steps toward localization similar to Japan, such as the establishment of local assemblies. Therefore, the gap between Japan and Korea in terms of the local state's power is likely to decline in the long run. Third, the Korean state which is based on the military, is more authoritarian than the Japanese state. Unlike the Japanese state, the Korean state has been able to control the demands for consumption by force.

To conclude, the Japanese and Korean states show the unique

characteristics of the state. They are capitalist states, but their relatively strong intervention in production differentiates them from market-oriented states such as the United States. Their ineffective role in consumption also puts them in a different position from most welfare states in Europe.

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